

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6248

BILL NUMBER: HB 1010

NOTE PREPARED: Nov 20, 2007

BILL AMENDED:

SUBJECT: Tax Procedures.

FIRST AUTHOR: Rep. Crawford

FIRST SPONSOR: Sen. Kenley

BILL STATUS: Enrolled

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: *DLGF and Local Actions:* This bill authorizes the Department of Local Government Finance (DLGF) and local governments to take certain actions related to property taxes first due and payable in 2007.

Deduction /Credit Filing: The bill extends to October 15, 2007, the deadline for filing for the homestead credit and various deductions for taxes first due and payable in 2008.

Assessment Appeals: This bill provides that a taxpayer is not required to have an appraisal of tangible property in order to initiate and prosecute an administrative review of the assessment of the property.

Local Option Income Tax: The bill extends to December 31, 2007, the deadline applicable in 2007 for adopting the local option income tax (LOIT) for freezing levy growth, for public safety, and for property tax relief. It provides that an ordinance to impose such a LOIT that was adopted after the August 1 deadline for adoption is legalized and validated. The bill also deletes the requirement that, for purposes of calculating a LOIT rate to freeze levy growth, the DLGF shall round up to the nearest 0.1%.

Credit Calculations: This bill provides that the additional 2008 homestead credit shall be applied before the application of any local property tax replacement credits or increases in the homestead credit percentage that are funded by the LOIT for property tax relief.

Homestead Rebates: The bill allows a county legislative body to adopt an ordinance providing that the refund of a taxpayer's additional 2007 homestead credit must be applied first against any delinquent property taxes owed in the county by the taxpayer. (Current law requires the refund to be applied against delinquent

property taxes.)

Growth Quotient: This bill makes a technical correction to the assessed value growth quotient statute.

Property Tax Reduction Trust Fund: The bill provides that if the balance available in the Property Tax Reduction Trust Fund is insufficient to pay the spring installment of the additional 2008 homestead credit, the Auditor of State shall transfer the amount necessary from the state General Fund. It requires the amount of the transfers to be repaid from the Property Tax Reduction Trust Fund to the state General Fund according to a schedule determined by the Budget Agency.

Effective Date: Upon passage; January 1, 2007 (retroactive); July 1, 2007 (retroactive).

Explanation of State Expenditures: *DLGF and Local Actions:* This bill would affirm certain actions taken by the DLGF for property taxes payable in 2007 in any county. These actions include:

- Halting of property tax billing and collection.
- Invalidating and reissuing certified budgets, rates, and levies.
- Requirement of an abstract prepared with assessments determined in a reassessment ordered by the DLGF.
- Authorization to change the installment amounts and dates that applied to earlier tax statements.
- Authorization to issue reconciling tax statements.
- Waiver of late payment penalties.

Property Tax Reduction Trust Fund: Under current law, homestead credits in the amount of \$300 M in CY 2007 and \$250 M in CY 2008 are to be paid from the Property Tax Reduction Trust Fund. The portion of the \$250 M credit for CY 2008 that will be paid by the state in FY 2008 is \$112 M.

Revenues in the trust fund are generated by an initial licensing fee of \$250 M for each of the two horse racetrack owners to operate slot machines. The fees are to be paid in two installments, with \$150 M due from each racetrack owner by November 1, 2007, and \$100 M due from each racetrack owner by November 1, 2008. In addition, Slot Machine Wagering Tax paid on slot machines at Hoosier Park and Indiana Downs will be paid into the trust fund once the slot machines are in operation.

The initial \$150 M payments (\$300 M total) were received just prior to November 1, 2007. At the same time, \$300 M in homestead credits for CY 2007 were transferred from the trust fund to the 92 Indiana counties, leaving no balance currently in the fund.

Under this bill, a transfer would be made from the state General Fund if the balance available in the trust fund is insufficient to pay the \$112 M spring homestead credit due in FY 2008. The transfer amount, if any, would have to be repaid to the state General Fund according to a schedule determined by the Budget Agency.

Explanation of State Revenues:

Explanation of Local Expenditures: *Deduction /Credit Filing:* Many counties currently provide homestead credits funded by COIT or CEDIT. Beginning in CY 2008, counties may fund additional property tax relief credits and/or homestead credits from an additional CAGIT or COIT tax rate. If additional taxpayers qualify for 2008 homestead credits under this provision, either the counties' 2008 cost for local credits would increase or the available funds for these credits would be spread over a larger base, reducing the amount that each taxpayer receives.

Explanation of Local Revenues: *Assessment Appeals:* Under current law, a property taxpayer may obtain a property assessment review by local officials and by the Indiana Board of Tax Review. This bill clarifies that the taxpayer is not required to have a property appraisal in order to obtain that review.

Growth Quotient: Under current law, civil taxing units in Lake County will receive no growth in their maximum levies if the county does not adopt the LOIT for property tax relief. This bill clarifies that the maximum levies would be held constant.

Homestead Rebates: Under current law, homestead owners will share \$300 M in additional homestead credits, based on their 2007 property tax bills. These credits will be paid to homeowners in the form of a rebate. Currently, these rebates must be applied to any delinquent property taxes owed by the taxpayer in the county. Under this bill, the county legislative body would make the determination as to whether rebates would be first directed to pay delinquent taxes.

Credit Calculations: Under current law, homestead owners will receive \$250 M in additional homestead credits in CY 2008. These credits will be reflected on homeowners' tax bills. Also under current law, counties may provide additional LOIT-funded property tax relief and homestead credits. This bill clarifies that the additional \$250 M in state homestead credits would be applied to tax bills before the locally funded credits are calculated and applied.

DLGF and Local Actions: This bill would affirm certain actions taken by local governmental units and public officials that are consistent with actions taken by the DLGF.

Deduction /Credit Filing: Under current law, the deadline for filing an application for most property tax deductions and the homestead credit is June 10th. The taxpayer receives the deductions and/or homestead credit against taxes payable in the following calendar year. This bill would extend the filing deadline from June 30, 2007, to October 15, 2007, for homestead credit and certain deduction applications filed in 2007 and applicable to taxes payable in 2008. The extended deadline would affect the mortgage, elderly, blind, disabled, disabled veteran, WWI veteran and spouse, solar energy, and wind-powered device deductions as well as the homestead credit and homestead standard deduction.

If an application was filed between June 30, 2007, and October 15, 2007, the deductions and/or homestead credit would first apply to taxes payable in 2009 under current law. Under this bill, taxes payable in 2008 would first be affected. Additional deductions cause a shift of taxes from taxpayers receiving the deductions to all taxpayers. Since the total amount of PTRC and state homestead credit is limited to the appropriation for CY 2008, any additional state homestead credit liability would cause the rate for PTRC to be reduced in CY 2008. Total state expenditures would be unaffected.

Local Option Income Tax: Under current law, LOIT must be adopted by July 31st in order to take effect on October 1 of that year. This bill would extend the 2007 adoption deadline from July 31, 2007, to December 31, 2007.

Under current law, counties may adopt a LOIT rate to freeze levy growth. The LOIT rate is calculated by the DLGF to generate enough revenue to replace the increase in civil taxing unit maximum levies plus provide an equal contribution to the county stabilization fund in the first year of adoption. The necessary rate is rounded up to the nearest 0.1%. Revenue that exceeds the amount needed for levy replacement in any year is deposited into the county stabilization fund.

Under this bill, the LOIT rate would not be rounded up. The reduction in income tax revenue would directly reduce deposits into the county stabilization fund.

State Agencies Affected: Department of Local Government Finance; Auditor of State; State Budget Agency.

Local Agencies Affected: Local assessing officials.

Information Sources:

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